

# Governor's Budget Message

**January 7, 2005**

**Honorable Members of the 122<sup>nd</sup> Legislature and Citizens of Maine:**

In February 2003, I presented a budget to the 121<sup>st</sup> Legislature that closed a structural budget deficit of nearly \$1.2 billion. Working closely with the Legislature – and across party lines – we were able to reach nearly unanimous consensus on that budget. We proved to the Maine citizens that we can work together as Democrats, Republicans, Greens and Independents to pass a budget that is both responsible and fair.

Our challenge this year is no less difficult. We are facing a structural budget deficit of \$733 million and there are no easy solutions. The budget I present to you today is a sound, balance budget that carries forward on our plan to provide a leaner, more efficient state government for the people of Maine. Sacrifices have been spread across state government. No one agency has been asked to shoulder the burden of balancing this budget.

Though many difficult choices were made in balancing this budget, this spending plan continues my commitment to hold the line on broad based tax increases. The citizens of Maine have spoken loudly and the message is clear. They are demanding immediate property tax relief and this budget presents that relief in two forms: tax reform legislation currently working its way through the Legislature and a substantial increase in K-12 education funding.

Even in these difficult economic times, we must continue to invest in programs that benefit our economy – both present and future. There is no more important purpose of government – all levels of government – than the education of our children.

This budget begins by funding the first 2 years of a 4 year phase-in that brings the State's share of education funding up to 55%. It provides a \$250

million increase over 2004-2005 funding levels – an increase of more than 11% in FY 06 and more than 8% in FY 07 - and provides immediate property tax relief to Maine families.

I've also proposed modest increases in higher education funding across the board – from the University System to the Community Colleges to Maine Maritime Academy. We've built an additional \$2m in research and development funding into the University of Maine's budget. We've provided increased funding to both the University System and Community Colleges to promote tourism in Maine and we've provided inflationary adjustments to reduce tuition increases at Maine Maritime Academy. Despite our fiscal challenges, and more accurately because of them, we need to continue to provide the investments necessary to ensure our children are moving on to higher education.

This budget also includes full funding for the Pine Tree Zone program approved by the Legislature last year. This program has already begun to provide substantial benefits to economically distressed areas of the state and adequately funding the program is vital to Maine's economic growth.

Two years ago, I used my Budget Address to lay out my vision for Dirigo Health. Today, I can report that our health reform effort is alive and well. On January 1st, DirigoChoice began providing employees of small businesses as well as self-employed people from all parts of Maine with comprehensive and affordable health benefits. Along with initiatives to improve the quality of care provided to our citizens and those designed to hold down the costs of care, Dirigo is vital to our goal of making Maine the healthiest state in the nation. It is also a critical component of our state's financial health and key to nurturing the climate for the growth of business in Maine. This budget protects the Dirigo program and safeguards our commitment to Maine's uninsured and to our business community. We have maintained eligibility for public programs and, rather than eliminating

services, have designed ways to improve the efficient operation of those programs.

We have had to make very difficult choices in crafting this budget, but are confident that this document reflects a responsible and compassionate approach to our fiscal challenges.

I look forward to working with the Legislature over the next few months to enact a budget that is fiscally responsible and continues to reflect the priorities of the citizens of this State.

A handwritten signature in black ink, reading "John E. Baldacci". The signature is written in a cursive, flowing style with a large initial "J" and "B".

John E. Baldacci  
Governor of Maine

